

0977 California Health Facilities Financing Authority

The mission of the California Health Facilities Financing Authority (CHFFA) is to help eligible and creditworthy nonprofit and public health facilities reduce their cost of capital, and promote important California health access, healthcare improvement and cost containment objectives by providing cost-effective tax-exempt bond, low-cost loan, and direct grant programs.

CHFFA issues revenue bonds to assist qualified private nonprofit corporations or associations, counties, and hospital districts in financing or refinancing the construction or acquisition cost of health facilities or equipment. CHFFA also administers the Children's Hospital Program established by Proposition 61 of 2004 and Proposition 3 of 2008, the Cedillo-Alarcon Clinic Grant Program of 2000, the Anthem WellPoint Grant Program of 2004, and the Health Expansion Loan Program II.

CHFFA was established by Chapter 1033, Statutes of 1979, and consists of nine members: the State Treasurer, the Director of the Department of Finance, the State Controller, two public members appointed by the Senate, two public members appointed by the Assembly, and two public members appointed by the Governor.

3-YR EXPENDITURES AND PERSONNEL YEARS

	Personnel Years			Expenditures		
	2010-11	2011-12	2012-13	2010-11*	2011-12*	2012-13*
30 Children's Hospital Program	3.8	4.0	4.0	\$88,760	\$235,473	\$115,479
40 Health Facilities Grants and Loans	10.6	12.5	12.5	6,449	8,095	9,112
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	14.4	16.5	16.5	\$95,209	\$243,568	\$124,591
FUNDING				2010-11*	2011-12*	2012-13*
0904 California Health Facilities Financing Authority Fund				\$6,449	\$8,095	\$9,112
6046 Children's Hospital Fund				8,928	85,318	15,323
6079 Children's Hospital Bond Act Fund				79,832	150,155	100,156
TOTALS, EXPENDITURES, ALL FUNDS				\$95,209	\$243,568	\$124,591

The California Health Facilities Financing Authority Fund (0904) and Program 40-Health Facilities Grants and Loans are not subject to Budget Act appropriation. This budget display is for informational purposes only. The informational budget presented here reflects the department's best estimate of the budgets for 2011-12 and 2012-13.

LEGAL CITATIONS AND AUTHORITY

DEPARTMENT AUTHORITY

Government Code Sections 15430-15463. Health and Safety Code Sections 1179.10-1179.43 and 1179.50-1179.72.

DETAILED BUDGET ADJUSTMENTS

	2011-12*			2012-13*		
	General Fund	Other Funds	Personnel Years	General Fund	Other Funds	Personnel Years
Workload Budget Adjustments						
Other Workload Budget Adjustments						
• Employee Compensation Adjustments	\$-	-\$17	-	\$-	\$5	-
• Retirement Rate Adjustment	-	12	-	-	12	-
• Operational Efficiency Plan	-	-3	-	-	-3	-
• Adjustment to grants for Children's Hospitals	-	-	-	-	-120,000	-
• Allocation of health facilities grants and loans	-	-	-	-	1,000	-
• Miscellaneous Adjustments	-	-1	-	-	-	-
Totals, Other Workload Budget Adjustments	\$-	-\$9	-	\$-	-\$118,986	-
Totals, Workload Budget Adjustments	\$-	-\$9	-	\$-	-\$118,986	-
Totals, Budget Adjustments	\$-	-\$9	-	\$-	-\$118,986	-

PROGRAM DESCRIPTIONS

30 - CHILDREN'S HOSPITAL PROGRAM

* Dollars in thousands, except in Salary Range.

0977 California Health Facilities Financing Authority - Continued

On November 2, 2004, the voters approved Proposition 61, which established the Children's Hospital Program to be administered by CHFFA. Four years later, on November 4, 2008, the voters approved a similar proposition (Proposition 3) establishing the second Children's Hospital Program to be administered by CHFFA. The purpose of both Children's Hospital Program is to improve the health and welfare of California's critically ill children by providing a stable and ready source of funds for capital improvement projects for children's hospitals.

CHFFA is authorized to grant \$750 million per Proposition 61 and \$980 million per Proposition 3 to eligible children's hospitals. Funding for these programs is provided through the issuance of general obligation bonds. CHFFA has adopted regulations for each program addressing appropriate selection criteria and a process for awarding the grants.

Applications and funding will be available through 2014 for Proposition 61 and through 2018 for Proposition 3, or until program funding is exhausted. In the event funding is not exhausted by the deadlines for each proposition, CHFFA will amend the regulations to extend the respective programs. As of June 30, 2011, CHFFA has disbursed \$584.7 million in Proposition 61 funds to twelve hospitals. As of June 30, 2011, CHFFA has disbursed \$251.1 million in Proposition 3 funds to six hospitals.

40 - HEALTH FACILITIES GRANTS AND LOANS

CHFFA serves as a conduit provider of tax-exempt bonds and a direct provider of financial assistance to health institutions via a loan program referred to as HELP II and via two separate clinic grant programs referred to as Cedillo-Alarcon and Anthem WellPoint. To qualify for funding under any of these programs, the proposed project must be a health facility, operated by a private nonprofit corporation or association, city, city and county, county, or hospital district. Numerous statutes enacted between 1983 and 2002 have since broadened the types of health facilities that may receive financing from CHFFA.

Tax-Exempt Bond Program

CHFFA may authorize an unlimited amount of revenue bond financing. Prior to September 30, 1998, CHFFA was only authorized to have outstanding at any one point-in-time up to \$5.999 billion in tax-exempt revenue bonds. Chapter 1035, Statutes of 1998 eliminated this cap. As of June 30, 2011, bonds and notes in the amount of \$25.8 billion had been issued and \$10.2 billion was outstanding.

Bonds issued under this conduit program are not a debt or liability or a pledge of the full faith and credit of the taxing power of the state or any of its political subdivisions. The full faith and credit of the participating institutions are pledged for repayment of the bonds. The Federal Tax Reform Act of 1986 does not restrict conduit health facility bonds in terms of the state's "private activity" bond limit.

Clinic Grant Programs

Chapter 99, Statutes of 2000, established the Cedillo-Alarcon Community Clinic Investment Act of 2000 and allocated \$50 million dollars to CHFFA for the purpose of awarding grants to eligible primary care clinics for capital outlay projects. Funds of approximately \$50 million were disbursed. Residual funds remained and so the Legislature amended the Act in 2005 to authorize CHFFA to disburse the remaining funds to eligible clinics. Though all funds have since been awarded, funds in the amount of \$68,918 remain to be disbursed and are contingent upon the clinics providing relevant documentation evidencing completion of their projects.

In 2004, as part of the Anthem-Well Point merger, \$35 million dollars was allocated to CHFFA for the purpose of awarding grants to eligible healthcare facilities providing service to underserved communities throughout California. Distribution of these funds was to be accomplished through the same process established for the above referenced Cedillo-Alarcon Community Clinic Investment Act of 2000. In 2005, the Insurance Commissioner entered into an memorandum of understanding with CHFFA authorizing CHFFA to disburse the funds to clinics. Though all funds have been awarded, funds in the amount of \$274,976 remain to be disbursed and are contingent upon the clinics providing relevant documentation evidencing completion of their projects.

Between these two clinic grant programs, as of June 30, 2011, CHFFA has disbursed the sum of \$92 million (including the accumulated interest of roughly \$7 million), to 370 clinics throughout the state.

HELP II Loan Program

CHFFA administers the Healthcare Expansion Loan Program II (HELP II) to assist small and rural health facilities in obtaining otherwise difficult and costly to obtain financing for their capital needs. The HELP II Financing Program provides three percent (3%), fixed interest loans of up to \$750,000 to California's nonprofit small and rural health facilities in an efficient, timely, and cost effective manner. HELP II loans may be used to purchase or construct new facilities, remodel or renovate existing facilities, and purchase equipment or furnishings. Since the program's inception in 1988 and as of June 30, 2011, CHFFA has loaned \$79 million to small and rural health facilities. In January 2007, the CHFFA board raised the maximum loan amount facilities can receive under HELP II from \$500,000 to \$750,000. Under a second change, small facilities with gross annual revenue of up to \$30 million can obtain loans. To further expand access to financing for rural facilities, the CHFFA board voted to exempt such facilities from the gross revenue limit. Applications are accepted on a monthly basis.

DETAILED EXPENDITURES BY PROGRAM

* Dollars in thousands, except in Salary Range.

0977 California Health Facilities Financing Authority - Continued

		<u>2010-11*</u>	<u>2011-12*</u>	<u>2012-13*</u>
PROGRAM REQUIREMENTS				
30	CHILDREN'S HOSPITAL PROGRAM			
State Operations:				
6046	Children's Hospital Fund	\$265	\$318	\$323
6079	Children's Hospital Bond Act Fund	120	155	156
Totals, State Operations		\$385	\$473	\$479
Local Assistance:				
6046	Children's Hospital Fund	\$8,663	\$85,000	\$15,000
6079	Children's Hospital Bond Act Fund	79,712	150,000	100,000
Totals, Local Assistance		\$88,375	\$235,000	\$115,000
PROGRAM REQUIREMENTS				
40	HEALTH FACILITIES GRANTS AND LOANS			
State Operations:				
0904	California Health Facilities Financing Authority Fund	\$1,785	\$2,595	\$2,612
Totals, State Operations		\$1,785	\$2,595	\$2,612
Local Assistance:				
0904	California Health Facilities Financing Authority Fund	\$4,664	\$5,500	\$6,500
Totals, Local Assistance		\$4,664	\$5,500	\$6,500
TOTALS, EXPENDITURES				
State Operations		2,170	3,068	3,091
Local Assistance		93,039	240,500	121,500
Totals, Expenditures		\$95,209	\$243,568	\$124,591

EXPENDITURES BY CATEGORY

	1 State Operations			Expenditures		
	<u>Positions/Personnel</u>	<u>Years</u>		<u>2010-11*</u>	<u>2011-12*</u>	<u>2012-13*</u>
	2010-11	2011-12	2012-13			
PERSONAL SERVICES						
Authorized Positions (Equals Sch. 7A)	14.4	16.5	16.5	\$893	\$1,019	\$1,060
Net Totals, Salaries and Wages	14.4	16.5	16.5	\$893	\$1,019	\$1,060
Staff Benefits	-	-	-	349	388	371
Totals, Personal Services	14.4	16.5	16.5	\$1,242	\$1,407	\$1,431
OPERATING EXPENSES AND EQUIPMENT				\$928	\$1,661	\$1,660
TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS (State Operations)				\$2,170	\$3,068	\$3,091

	2 Local Assistance			Expenditures		
	<u>2010-11*</u>	<u>2011-12*</u>	<u>2012-13*</u>			
Grants and Subventions	\$93,039	\$240,500	\$121,500			
TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)	\$93,039	\$240,500	\$121,500			

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS

1 STATE OPERATIONS	2010-11*	2011-12*	2012-13*
0904 California Health Facilities Financing Authority Fund			
APPROPRIATIONS			
Government Code Section 15439	\$1,785	\$2,595	\$2,612
TOTALS, EXPENDITURES	\$1,785	\$2,595	\$2,612

* Dollars in thousands, except in Salary Range.

0977 California Health Facilities Financing Authority - Continued

1 STATE OPERATIONS	2010-11*	2011-12*	2012-13*
6046 Children's Hospital Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$324	\$321	\$323
Allocation for employee compensation	1	1	-
Adjustment per Section 3.60	6	2	-
Adjustment per Section 3.90	-9	-4	-
Adjustment per Section 3.91 (b) Operational Efficiency Plan	-	-2	-
Totals Available	\$322	\$318	\$323
Unexpended balance, estimated savings	-57	-	-
TOTALS, EXPENDITURES	\$265	\$318	\$323
6079 Children's Hospital Bond Act Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$157	\$156	\$156
Allocation for employee compensation	1	-	-
Adjustment per Section 3.60	4	1	-
Adjustment per Section 3.90	-6	-1	-
Adjustment per Section 3.91 (b) Operational Efficiency Plan	-	-1	-
Totals Available	\$156	\$155	\$156
Unexpended balance, estimated savings	-36	-	-
TOTALS, EXPENDITURES	\$120	\$155	\$156
TOTALS, EXPENDITURES, ALL FUNDS (State Operations)	\$2,170	\$3,068	\$3,091
2 LOCAL ASSISTANCE	2010-11*	2011-12*	2012-13*
0904 California Health Facilities Financing Authority Fund			
APPROPRIATIONS			
Government Code Section 15439 (Health Facilities Grants and Loans)	\$4,664	\$5,500	\$6,500
TOTALS, EXPENDITURES	\$4,664	\$5,500	\$6,500
6046 Children's Hospital Fund			
APPROPRIATIONS			
Health and Safety Code Section 1179.10-1179.43	\$8,663	\$85,000	\$15,000
TOTALS, EXPENDITURES	\$8,663	\$85,000	\$15,000
6079 Children's Hospital Bond Act Fund			
APPROPRIATIONS			
Health and Safety Code Section 1179.53	\$79,712	\$150,000	\$100,000
TOTALS, EXPENDITURES	\$79,712	\$150,000	\$100,000
TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)	\$93,039	\$240,500	\$121,500
TOTALS, EXPENDITURES, ALL FUNDS (State Operations and Local Assistance)	\$95,209	\$243,568	\$124,591

* Dollars in thousands, except in Salary Range.